BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D. C. 20268-0001

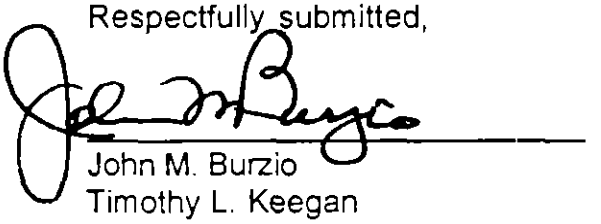
POSTAL RATE & FEE CHANGES, 1997

Docket No. R97-1

INTERROGATORIES OF TIME WARNER INC.
TO UNITED STATES POSTAL SERVICE WITNESS DEGEN: TW/USPS-T12-24-33
(September 8, 1997)

Pursuant to sections 25 and 26 of the Rules of Practice, Time Warner Inc. (Time Warner) directs the following interrogatories to United States Postal Service witness Degen (USPS-T-12). If witness Degen is unable to respond to any interrogatory, we request that a response be provided by an appropriate person capable of providing an answer.

Respectfully submitted,



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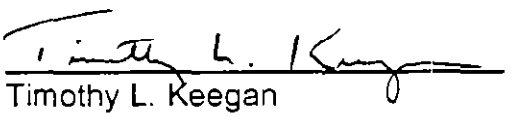
CERTIFICATE OF SERVICE

I hereby certify that I have this day served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.



Timothy L. Keegan

September 8, 1997

FOURTH SET OF INTERROGATORIES TO WITNESS DEGEN (USPS-T-12)

TW/USPS-T12-24 Table TW/USPS-T12-6b in LR-H-219 shows the following costs for item type pc_FLT under the mixed container column: $27.051 million in MODS offices, $9.916 million in non-MODS offices and $1.227 million at BMC's, for a total of $38.194 million.

a. Please confirm that these numbers represent the IOCS tally costs assigned to loose flats observed in mixed mail containers handled by clerks or mailhandlers when observed by IOCS clerks. If you do not confirm, please provide the correct definition.

b. Please state all assumptions on which your attribution of these costs to individual subclasses is based and indicate why you believe each such assumption is justified.

c. Is one of your implicit assumptions that loose flats in mixed mail containers in a given cost pool have the same subclass distribution as that obtained from the direct tallies for flats in that cost pool? Please explain your answer.

d. Assuming that X dollars have been computed as the IOCS tally costs associated with loose flats in mixed mail containers in a given cost pool, is your distribution of those costs to mail subclasses at all affected by the type(s) of container(s) that those flats were in? If yes, please explain how.

e. Please explain in detail how you construct a distribution key for the costs associated with loose flats in mixed mail containers.

f. Please describe the use made in your cost distribution method of the container type information entered by IOCS clerks in response to Question 21C.

TW/USPS-T12-25 Attachment 1 of your answer to TW/USPS-T12-9 shows the following volume variable "unidentified containers" costs: $313.615 million in MODS offices, $26.084 million in BMC's and $59.083 million in non-MODS offices, for a total of $398.782 million, of which $350.189 million are associated with activity code 6523.

a. Please confirm that all 6523 costs where empty containers were being handled are treated as "unidentified container" costs. If not confirmed, please explain.

b. Please describe all assumptions on which your distribution of "unidentified container" costs is based and indicate why you believe each such

assumption is justified.

c. Please describe all costs on which you base your distribution of unidentified container costs and explain how that distribution key is constructed.

d. Attachment 3 of your answer to TW/USPS-T12-9 shows the percentages of "handling item", "handling container" and "not handling" for 6523 costs at each mail processing cost pool. Please confirm that the "handling container" percentages represent all "unidentified container" costs with activity code 6523. If not confirmed, please explain.

e. Attachment 3 of your answer to TW/USPS-T12-9 does not show any percentages for LD15 (RBCS). Please provide those percentages.

f. For each cost pool used in your analysis, please provide the "unidentified container" costs distributed to each subclass and special service.

g. For each cost pool used in your analysis, please provide the "not handling" costs distributed to each subclass and special service.

TW/USPS-T12-26

a. Please confirm that, as an average over all cost pools, approximately 33% of all code 6523 (empty equipment) costs are actually "not handling" costs. If not confirmed, please provide the percentage you believe to be correct.

b. Is it correct to interpret the "not handling" portion of code 6523 costs as meaning that the observed employee was handling neither mail nor empty items nor empty containers? If no, please explain.

c. Please confirm that in the empty equipment cost pool (1EEQMT) 52.17% of the code 6523 (empty equipment) costs are "not handling" costs. Please explain if not confirmed.

d. Please confirm that of the $39.21 million volume variable costs in the empty equipment cost pool, only 64.09% are code 6523 costs and that only 47.83% of those costs, or 30.65% of the total pool costs, represent handling of empty items or containers. Please explain if not confirmed.

e. What is the job description for the empty equipment cost pool?

f. Why are direct tally costs associated with the empty equipment cost pool?

g. Please confirm that direct tally costs represent 2.37% of the total empty

equipment pool costs. Please also explain how the remaining 97.6% of the costs in that pool are distributed among subclasses and special service categories.

TW/USPS-T12-27 Please refer to your answer to TW/USPS-T12-16, in which you indicate that stations and branches of MODS offices "do report MODS data through the parent finance number and are considered part of the MODS system for our analysis."

a. Please refer also to witness Moden's answer to TW/USPS-T4-1e, which might appear to contradict your answer referred to above. Please state whether you agree or disagree with witness Moden's answer. If you agree, then please explain how one is to reconcile his and your answers.

b. Please refer to pages 100-102 of LR-H-113, which shows volumes, workhours and productivity rates for various letter and flat sorting operations in MODS offices. Is it correct to conclude from your answer to TW/USPS-T12-16 that these volumes, workhours and productivity rates also include data from stations and branches of MODS offices? If no, please explain.

c. Please provide a definition of each of the nine office types listed in your answer to TW/USPS-T12-17c, and a description of the differences between the functions performed by each office type.

d. Do IOCS tallies from MODS offices identify the type of MODS office in which the tallies were taken? If yes, please identify the variable used for this purpose and the different types of MODS offices that may be recognized based on tally information. Can one, for example, determine whether a tally was taken at a station/branch, AO, AMF, etc.?

e. For each of the MODS cost pools used in your analysis, please provide the portion of volume variable pool costs that were incurred in stations and branches of MODS offices. Please also provide similar information for the AO's that are MODS offices.

f. If an AO is a MODS office, are any stations and branches under that AO thereby also included in the MODS data base?

TW/USPS-T12-28

a. When an IOCS clerk records an estimate of the portion of a mixed mail container that has bundles, does he also record whether those bundles contained letters, flats or pieces of some other shape? If yes, how is that information used in your cost distribution?

b. Table TW/USPS-T12-6b in LR-H-219 shows costs equal to $1.312 million

associated with pallets in mixed containers. Please explain what types of containers can contain pallets.

c. If an IOCS clerk observes a mixed mail pallet containing sacks or trays, should he then record the pallet as an item or as a container? If he records it as an item, how does he describe its contents? Should he, assuming there is time, attempt to count the mail on the pallet? Please explain fully.

d. For each cost pool used in your analysis, please specify the costs associated with identified mixed mail containers. Please also provide a breakdown of these costs by item type (including loose pieces of different shapes). Additionally, please provide a further breakdown of these costs by container type.

e. For each cost pool used in your analysis, please specify the costs associated with counted and uncounted mixed mail items of each item type. Additionally, for each type of item that was counted at a given cost pool, please provide the resulting breakdown of counted item costs by subclass and special service category.

TW/USPS-T12-29 Please refer to your answer to TW/USPS-T12-11. Parts a and b of that interrogatory referred specifically to bundles. Parts e and f referred specifically to letter and flat trays. You appear to be confirming, in part b of your answer, that the "top piece rule" should always be applied in the case of mixed bundles and letter or flat trays. On the other hand, you appear to be trying to explain the presence of "mixed" bundles, letter trays and flat trays in the data base by referring to extreme difficulties in counting some items and the need to not interfere with mail flow and dispatch requirements.

a. Are you really saying that even identifying the subclass of the top piece in the bundle or tray may either be too difficult or interfere with mail flow or dispatch requirements, and that this may have caused the mixed mail bundle and tray tallies that are not empty tray tallies?

b. Please provide the most typical examples of when it is extremely difficult to count an item. If the types of difficulty vary with different item types, please describe the difficulties most typical for each item type.

c. Are there any further guidelines for IOCS clerks regarding when to conclude that (1) applying the top piece rule; and (2) counting an item, would unduly interfere with mailflows or dispatch or both? If yes, please describe those guidelines.

d. Please confirm that the requirement to not interfere with mail flows and

dispatch requirements is more likely to be applied, other factors being equal, in the period shortly before a critical dispatch of the mail being handled. If not confirmed, please explain.

e. Please confirm that the requirement to not interfere with mail flows and dispatch requirements is more likely to be applied, other factors being equal, if the item contains a large number of pieces and thus would take more time to count. If not confirmed, please explain.

f. Please confirm that the requirement to not interfere with mail flows and dispatch requirements is more likely to be applied, other factors being equal, if the item contains mail with high handling priority. If not confirmed, please explain.

g. Please describe each of the item types listed in, for example, TW/USPS-T12-6b. Please include description of the mail classes and shapes most likely to be carried in the given item, conditions under which other classes or shapes may be carried, capacity of each item and areas of application (e.g. used by mailers versus only internal USPS use, use in mail collections, delivery, etc.)

h. How many mixed item tallies are there in the FY96 IOCS data base?

i. What percentage of the mixed item tallies had to be assigned as such due to incomplete or erroneous data entry? If you cannot give an exact percentage, please provide an estimate. Please do not include tallies that had to be discarded in your calculation.

j. How much time does an IOCS clerk typically have to complete a tally, starting from when he arrives at the location where the tally is to be taken?

TW/USPS-T12-30 In LR-H-219 the distribution key you provided in TW/USPS-T12-6h and the cost distribution in TW/USPS-T12-6j both include some distributions to activity codes 5301, 5331, 5340, 5341 and 5345. Please explain how you distribute these costs to individual subclasses and indicate the stage in your program where this distribution is done.

TW/USPS-T12-31 Please refer to Attachments 1 and 2 to your answer to TW/USPS-T12-10. Their titles are, respectively, "FY96 IOCS Tally Dollars ($000s) by activity code, cost pool and basic function - Mixed Items" and "FY96 IOCS Tally Dollars ($000s) by activity code, cost pool and basic function - Mixed Containers". Each attachment is a six page table.

a. Please confirm that, apart from their titles, the tables in Attachment 1 and Attachment 2 are identical. If there are any differences between the numbers in the two tables, please point out those differences. If this is due to a mistake,

please provide the correct tables.

b. Please confirm the following, and explain why if there is any part that you cannot confirm:

(1) according to your spreadsheet TW/USPS-T12-3e, the volume variable costs with activity code 6523 at MODS cost pool 1Platfrm are $110.944 million;

(2) according to Attachment 3 to your answer to TW/USPS-T12-9, 10.67% of these costs, or $11.838 million, represent handling item costs and 49.54%, or $54.962 million, represent handling container costs;

(3) in both attachments to TW/USPS-T12-10, the sum of the outgoing, incoming, transit and other component of 6523 costs at 1Platfrm is $75.556 million;

(4) similar discrepancies exist for all other cost pools; and

(5) the grand totals in both attachments add up to more costs than both the mixed uncounted item and mixed container costs indicated by Table TW/USPS-T12-6b in LR-H-219.

c. Please explain these discrepancies and provide corrections, as necessary, to be consistent and responsive to TW/USPS-T12-3, TW/USPS-T12-6, TW/USPS-T12-9 and TW/USPS-T12-10.

d. Please explain what the numbers in Attachments 1 and 2 to your answer to TW/USPS-T12-10 really mean.

e. After correcting these attachments, please include a breakdown of the grand total for each cost pool and basic function in each attachment by item type. Please also include, in the corrected versions of Attachments 1 and 2, totals, per basic function, over all MODS cost pools, all BMC cost pools and all cost pools.

f. Please confirm that Attachment 3 to your answer to TW/USPS-T12-9 and Attachments 1 and 2 to your answer to TW/USPS-T12-10 are spreadsheet generated and provide the spreadsheets in electronic form, after making any necessary corrections.

TW/USPS-T12-32 Please clarify your answer to TW/USPS-T12-12. In part a of your answer you state that "the only prerequisite for a mixed item tally is that the employee is observed handling an item." You then go on to indicate that a mixed mail tally could result if the employee is doing flat sortation and is observed holding a quantity of flats in his hand.

a. Please confirm that the employee handling an item is not the only prerequisite for obtaining a mixed item tally. In particular, please confirm that a mixed mail tally should not result if the employee is handling an item with identical pieces, or if the item is either a bundle, a letter tray or a flat tray, since for each of those items the top piece rule should apply.

b. Please confirm that even if an employee is observed handling an item with non-identical pieces which is neither a bundle, a letter tray or flat tray, fractions of direct tallies, rather than a mixed tally, should result unless counting the item would be "extremely difficult".

c. Please confirm that when the employee is sorting flats and is holding a quantity of flats in his hand, that quantity of flats should be considered a bundle and the top piece rule should be applied, leading to a direct tally.

d. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs resulting from application of the top piece rule. Please explain if not confirmed.

e. Please confirm that in Table 6 of your testimony, the direct costs (excluding mixed mail and other) include all tally costs corresponding to counted items. Please explain if not confirmed.

TW/USPS-T12-33 Please state what type of tally should result in each of the cases described below and explain your answer in each case. Please document your answers by references to the instructions given to IOCS clerks, either in hardcopy form, orally or through the CODES system.

a. If an employee is observed handling two bundles of First Class flats, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.

b. If an employee is observed handling two bundles of Time Magazine, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.

c. If an employee is observed handling one bundle of Time Magazine and one bundle of another flat shaped regular rate weekly publication, will the result be a direct tally, a mixed item tally or a mixed container tally? If the answer depends on factors not stated here, please explain fully.

d. When an employee is observed handling two non-identical bundles, will the result be a tally that is treated as a mixed container tally in your costing method? If no, please explain.